

Risk Management Group Internal Audit Progress Monitoring Report

Report of the Chief Fire Officer

For further information about this report please contact Paul Raymond, Chief Fire Officer, on 01743 260201 or Martin Timmis, Head of Operations and Risk, on 01743 260285.

1 Purpose of Report

This report provides Members with an update on the monitoring of recommendations made by Internal Audit that is undertaken by the Risk Management Group (RMG). It specifically covers details about the progress made against outstanding recommendations.

2 Recommendations

Members are asked to:

- a) Note the actions the Risk Management Group and Internal Audit are taking to progress all outstanding recommendations;
- b) Approve the improvements suggested in Appendix 1; and
- c) Note the progress made against the outstanding recommendations currently being monitored by the Risk Management Group.

3 Background

'External Audit' (e.g. Comprehensive Area Assessment) is the means, by which Government obtains its assurance about how well the Service is operating. External Audit also performs the statutory audit of the Fire Authority's final accounts.

In contrast, 'Internal Audit' is a tool, available to senior management and Members, providing an independent judgement about the level of confidence they can have that the policies and procedures in place to control various aspects of the Service, considered to be 'risky' (e.g. finance), are operating in a way that reduces those risks.

It therefore follows that any recommendations made by our Internal Auditors, as a result of the audits we have directed them to undertake, should be implemented in an appropriate manner. Recognising that each deficiency identified in our procedures is likely to result in a different level of risk exposure, Internal Audit rates each of their recommendations to assist the Service in deciding the priority for any remedial work.

These categories are shown below:

- i) Fundamental - Immediate action is required to address major control weaknesses that could lead to material loss;
- ii) Significant - Action needed to address a substantial control weakness where systems might be working but errors may go undetected;
- iii) Requires Attention - Action needed to improve existing controls or improve efficiencies.

In March 2008, this Committee agreed a process for dealing with recommendations that fall out of these audits, to ensure that officers are dealing with all matters effectively.

- o The Committee would consider directly any **Fundamental** recommendations; and
- o **Significant** and **Requiring Attention** recommendations are considered initially by the Risk Management Group (RMG) and any delays or failures in implementing these recommendations would be brought to the Committee.

This process has been used by the RMG since it was initially agreed. Members should note that there have been no 'Fundamental' recommendations since this monitoring process was implemented.

4 Risk Management Group and Internal Audit

In the last report to the Audit and Performance Management Committee, Members noted that Internal Audit had raised concerns about a number of recommendations that, despite responsible officers stating that they had carried out actions to remedy a particular issue, these actions had not been successful in overcoming those problems. Internal Audit were concerned that, because they are having to spend a greater proportion of their time auditing the same issues each year, they are not able to move on to new areas and are therefore not adding as much value as could be possible.

It was agreed that, in accordance with the process outlined in the previous section, Internal Audit would present details of these concerns to the next Risk Management Group, thereby enabling Group members (including the Member Champion for Risk and Audit) to progress these issues with the responsible officers.

This matter was discussed in detail at a recent meeting between the Group and Internal Audit, with several improvements to the current procedures, combined with awareness training for all officers, being agreed. Members are asked to approve the agreed improvements, as outlined in Appendix 1, particularly in relation to the Service's using this year's 'Fraud Audit' days to look at the 'Significant' outstanding recommendations.

5 Outstanding Recommendations

In the September 2009 report to this Committee (Report 12, 10 September 2009), Members noted that Internal Audit's Annual Summary Report gave some details about a number of recommendations from their 2005 and 2006 audits, which, at the time of their last inspection of those areas, had not been fully implemented. The Risk management Group has continued specifically to monitor closely, and report to Members on, all of these outstanding issues, calling in the relevant officers as necessary. The latest position on these outstanding recommendations is presented at Appendix 2. Those recommendations that have previously been reported to Members, as having been fully implemented, have been omitted from the list included in this appendix.

6 Financial Implications

There are no direct financial implications arising from this report.

7 Legal Comment

There are no legal implications arising from this report.

8 Equality Impact Assessment

This report simply reports progress against various recommendations made by Internal Audit and therefore has no direct impact on people. It has been assessed against the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and this has shown that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

9 Appendices

Appendix 1

Improvements/actions agreed by the Risk Management Group and Internal Audit

Appendix 2

Progress against 'outstanding' recommendations

10 Background Papers

Audit and Performance Management Committee

10 September 2009, Report 12 – Risk Management Group – Internal Audit Progress Monitoring Report

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Business Continuity Planning		Legal	*
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Area Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial		Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	
Integrated Risk Management Planning			

Improvements/actions agreed by the RMG and Internal Audit

1. Audit reports will be modified to include Line Manager (SPG Member) also signing off acceptance of recommendations
2. RMG will send requests for updates on Recommendations from officers prior to each RMG meeting
3. RMG consider relevance of named officers, get list to Internal Audit
4. Awareness session for all relevant staff, including Chief Officers Group (COG) and Service Performance Group, by Internal Audit
5. Internal Audit will focus this year's 'Fraud Audit' on looking at all outstanding 'Significant' recommendations up to end of March 2009. To support this:
 - a. RMG will contact all 'Significant Recommendations' officers requesting evidence required by Internal Audit. This will follow immediately after the Awareness Session
 - b. RMG will also distribute requirements for evidence, to officers, for all 'Requiring attention'.
 - c. Officers will be given 1 week to collate all evidence
6. Fraud Audit report, from Internal Audit, will go to RMG. Will list current position on all outstanding 'Significant' recommendations.
7. RMG take report to COG during July.
8. COG discuss will discuss with their relevant officers
9. COG members will report back to the Risk Manager, on the position of all recommendations, including any that are not considered appropriate/relevant.
10. RMG will meet and discuss COG's update during August
11. RMG will then start to keep A&PMC informed about the progress against this base line position from September 2010 onwards.

Progress against ‘outstanding’ recommendations

PERSONNEL 2005/06	Classification Rating	Progress
1. A procedure should be produced which sets out the steps that should be followed for the recruitment of non-uniformed staff once the national policy has been completed.	Requires Attention	The Brigade Order on Recruitment was published in March 2010.
4. The induction process should be finalised and implemented at the earliest opportunity.	Significant	The Brigade Order on Induction was published in March 2010.
MISCELLANEOUS 2006/07	Classification Rating	Progress
2. Brigade Orders Technical should be reviewed to ensure that they are up to date, including the inventories of vehicles and equipment, to provide assurance to those reading the Brigade Orders that they are regularly reviewed and are thus up to date	Requires Attention	Appliance inventories will be included in the Asset Management System. At their meeting on the 21 April, the Service Performance Group were concerned that very little progress has been made due to staffing issues. For that reason, they have suspended this project until a full re-assessment of the project has been completed. This has a knock on impact to this recommendation which will be considered as part of this project assessment.
3. In order to comply with Brigade Orders, an inventory of office furniture and equipment should be compiled. However, the requirement may wish to be reconsidered in which case, Brigade Orders should be updated to reflect any decisions made.	Requires Attention	RMG discussed this issue with the Head of Resources (HoR) and agreed that an inventory of office furniture, and the ongoing need to maintain such a list, would be unwarranted. RMG believe the main issue here relates to our IT equipment. The

MISCELLANEOUS 2006/07	Classification Rating	Progress
		implementation of the Asset Management System would improve the paper lists currently used to record and track this equipment, but the delay highlighted above will also impact here.
PROCUREMENT 2006/07	Classification Rating	Progress
3. As per the procurement policy, suppliers with a cumulative spend of £5,000 and six or more orders in a year should be subject to review by the Head of Resources. This could help identify areas where a corporate procurement arrangement may produce savings.	Significant	RMG discussed this issue with the Head of Resources and agreed a way forward on this matter. An Excel spreadsheet has been created that summarises the previous year's purchases and shows where contracts are, and are not, in place. RMG agreed that, with the addition of some extra information, this simple form would be a useful basis from which they could consider recommendations for annual targeted reviews of particular procurement schemes. This would help to ensure the work is manageable for officers, but also ensures that the resulting work is focussed in areas where greatest benefit is likely to be gained. The Treasurer and Principal Accountant are looking to progress the first round of reviews from April 2010 onwards.

VEHICLE FLEET 2006/07	Classification Rating	Progress
<p>1. The use of TRACE to regularly monitor fuel usage per vehicle to be considered, particularly as fleet is growing in terms of light vehicles. Budgeted fuel costs represent 25% of direct budgeted transport costs in 06/07.</p>	<p>Significant.</p>	<p>It is thought that this recommendation is looking at the threat from people misappropriating fuel that should be used in fleet vehicles, as well as the general budgetary implications of fuel costs.</p> <p>In relation to the first, the RMG discussed the effectiveness of vehicle log books and concluded that there was little opportunity for staff to misappropriate fuel, without it being picked up.</p> <p>In relation to the second issue, following discussion with the Head of Resources, the RMG noted that the Service had relatively little control over the majority of journeys that need to be made, as they are directly related to service delivery. The increasing cost element is an issue, but is related to the combination of the increased number of journeys to do CFS, particularly in the more rural parts of the county, and increasing fuel costs. It was agreed that TRACE is not the right tool to do fuel monitoring. The Head of Resources will progress this work through the environmental monitoring processes.</p> <p>Members of the Chief Officer's Group are keen to ensure we make the best use of the Service's fuel usage and have asked the Service Performance Group to look at fuel usage per fleet vehicle.</p>

VEHICLE FLEET 2006/07	Classification Rating	Progress
3. A procedure manual for the TRACE system to be drawn up.	Requires Attention	RMG discussed this issue with the HoR and agreed that, to a large extent, the threat from this risk has been reduced by additional staff being trained on TRACE. A manual for the current system has been produced. However, the TRACE system is currently in the process of being updated to the latest version, which will require a revised manual to be produced when the update is completed.